Property Tax Bureau
Informational Guideline Release (IGR) No. 02-209
September 2002

CLAUSE 41C EXEMPTION OPTIONS

Chapter 184 §51 of the Acts of 2002
(Amending G.L. Ch. 59 §5(41C))

This Informational Guideline Release (IGR) informs local officials about a new local option that allows cities and towns that have accepted G.L. Ch. 59 §5(41C) to adjust (1) the age, income and asset requirements seniors must meet to qualify for the exemption and (2) the amount of the exemption the community may grant to eligible seniors.

Topical Index Key:

Exemptions

Distribution:

Assessors
Selectmen/Mayors
City/Town Managers/Exec. Secys.
Finance Directors
City/Town Councils
City Solicitors/Town Counsels

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SUMMARY:

This legislation creates a new provision that allows communities to make certain adjustments in the eligibility requirements seniors must meet in order to qualify for a property tax exemption under G.L. Ch. 59 §5(41C) and in the amount of exemption granted to those qualifying. Communities still operating under Clause 41 or 41B cannot use this option.

Under the legislation, a new second sentence has been added to G.L. Ch. 59 §5(41C). It allows communities to reduce the eligibility age, and increase the gross receipts and whole estate limits, within specified parameters. They may also increase the exemption amount by up to 100%. All adjustments are made in towns by vote of town meeting and cities by vote of the city council and approval of the mayor.

This new provision is now in effect. Therefore, the new options may be used for fiscal year 2003, but any adjustments would have to be voted before the actual tax bills are mailed since that triggers the exemption application period.

GUIDELINES:

A. LOCAL ACTION

1. Adjustments

An adjustment to an eligibility factor or the exemption amount must be made by vote of town meeting in a town or city council with the approval of the mayor in a city.

2. Effective Date

The vote should explicitly state the fiscal year in which the adjusted eligibility factor or exemption amount will first apply and should take place before the tax rate is set and actual tax bills are mailed for that year.

3. Revision

The adjusted eligibility factor or exemption amount established in this manner will apply unless a new vote is taken establishing a different factor or amount.

B. ALLOWABLE ADJUSTMENTS

The community may make any or all of the adjustments explained in this section.

1. Minimum Age

The eligibility age may be reduced from 70 to 65. If this adjustment is voted, any applicant who has reached the age of 65 as of the applicable July 1 qualification date would be eligible for a Clause 41C exemption.

2. Exemption Amount

The amount of the exemption granted to eligible applicants may be increased by any percentage up to 100%. For example, if the community votes to increase the exemption amount by 100%, eligible applicants would receive an exemption of $1,000 (or $8,000 in valuation if greater), instead of the current $500 (or $4,000 in valuation if greater).

In communities that also vote to grant an optional additional exemption under Chapter 73, Section 4, of the Acts of 1986 for a particular fiscal year, the additional amount is based on the adjusted exemption amount. For example, if the community votes to increase the exemption amount by 50% to $750, any optional additional exemption percentage would be applied to $750, rather than $500.

3. Gross Receipts Limit

The gross receipts limit that applies to the applicant may be increased to any amount up to $20,000 if single and $30,000 if married. The current limit is $13,000 if the applicant is single and $15,000 if married.

A co-owner who is not the applicant's spouse may not exceed the current gross receipts limit of $13,000 if single and $15,000 if married. No adjustments may be made in those amounts.

In communities that also accept G.L. Ch. 59 §5(41D), which provides for an annual cost of living adjustment (COLA) in the Clause 41C gross receipts limits, the COLA is applied to the adjusted limits for applicants and the current limits for co-owners.

4. Whole Estate Limit

The whole estate limit that applies to the applicant may be increased to any amount up to $40,000 if single and $55,000 if married. The current limit is $28,000 if the applicant is single and $30,000 if married.

A co-owner who is not the applicant's spouse may not exceed the current whole estate limit of $28,000 if single and $30,000 if married. No adjustments may be made in those amounts.

In communities that also accept G.L. Ch. 59 §5(41D), which provides for an annual COLA in the Clause 41C whole estate limits, the COLA is applied to the adjusted limits for applicants and the current limits for co-owners.

5. Whole Estate Exclusion

The whole estate exclusion for the value of the applicant's domicile may be increased from no more than two units in addition to the unit occupied by the applicant, *i.e.*, no more than a three family house, to no more than three additional units. If this adjustment is voted, an applicant may exclude the entire value of no more than a four family house.

A co-owner who is not the applicant's spouse may not exclude more than the value of a three family home. No adjustments may be made in that exclusion.

C. ACCOUNTING

All exemptions granted continue to be charged to the overlay. Assessors in communities that vote to make adjustments are advised to review the adequacy of their overlay accounts before setting the tax rate.

D. STATE REIMBURSEMENTS

Communities that vote to make adjustments that result in more or higher exemptions than previously granted will not receive any additional state reimbursement. Reimbursements are fixed at the amount the community received in the last year it operated under Clause 41.

CLAUSE 41C SENIOR EXEMPTION OPTIONS

Allowable adjustments under 2nd sentence of G.L. Ch. 59 §5(41C) added by St. 2002, Ch. 184 §51

	APPLICANT		EACH CO-OWNER NOT APPLICANT'S SPOUSE
ELIGIBLE AGE	**Current Law** 70	**Allowable Adjustment** 65	
INCOME LIMITS ***Deductions:*** (1) Minimum Social Security/ retirement allowance set by DOR each year and (2) business expenses or losses (*i.e.*, only net profits/rental income included) Married limit is combined income of both spouses	**Current Law** $13,000 Single $15,000 Married	**Allowable Adjustment** Up to $20,000 Single Up to $30,000 Married	**Current Law – No Adjustment Allowed** Each Co-owner $13,000 Single $15,000 Married
ASSET LIMITS Married limit is combined assets of both spouses	**Current Law** $28,000 Single $30,000 Married	**Allowable Adjustment** Up to $40,000 Single Up to $55,000 Married	**Current Law – No Adjustment Allowed** Each Co-owner $28,000 Single $30,000 Married
ASSET DEDUCTIONS (1) Home up to number of units noted, (2) Registered vehicles, (3) cemetery plots, (4) household furniture/effects at domicile and (5) wearing apparel	**Current Law** Up to 3 Family	**Allowable Adjustment** Up to 4 Family	**Current Law – No Adjustment Allowed** Each Co-owner Up to 3 Family
EXEMPTION AMOUNT Amount prorated by % of applicant's ownership interest if co-owns with anyone but spouse	**Current Law** $500	**Allowable Adjustment** Up to $1000	